

GLENN PUBLIC SCHOOL
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Glenn Public School

We have audited the accompanying financial statements of the governmental activities and the major funds of Glenn Public School, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Glenn Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Glenn Public School as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of Glenn Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through x and 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mayer, Costeniser & Ellis, P.C.

October 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Glenn Public School's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at the close of the most recent fiscal year by \$225,431 (*net assets*). Of this amount, \$198,001 (*unrestricted net assets*) may be used to meet the District's ongoing obligations for general District programs.

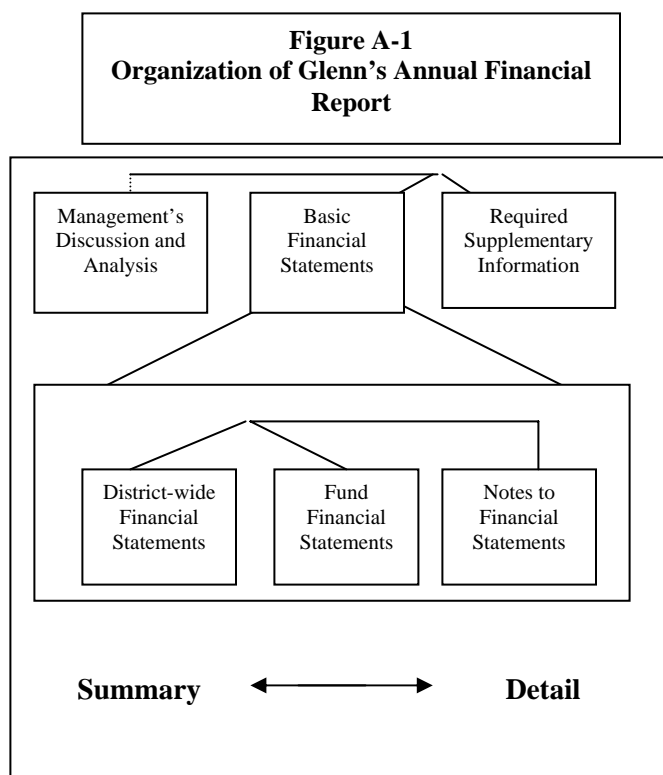
The District's total net assets increased by \$41,212.

At the close of the current fiscal year, the District's general fund reported an ending fund balance of \$176,962, an increase of 23% or \$33,402 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-wide and Fund Financial Statements		
	District-wide Statements	Governmental Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary of fiduciary, such as special education and building maintenance.
Required financial statements	* Statement of net assets	* Balance sheet
	* Statement of activities	* Statement of revenues, expenditures and changes in fund balances.
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, enrollment, and the condition of school building.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, and administration. State foundation aid finances most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- The District's major funds are the general fund and the capital project fund.

All of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - The District's combined net assets increased from the prior year by \$41,212, increasing total net assets to \$225,431.

The total revenue increased by 11.17% to \$423,593.

The total cost of instruction increased 15.2% and the total cost of support services increased .2%. Overall, total expenses increased 11.86%.

Table A-3
Glenn Public School
Net Assets

	2008	2007
Current assets	\$ 231,781	\$ 202,716
Noncurrent assets	397,430	396,621
Total assets	629,211	599,337
Current liabilities:		
Accounts payable	5,118	6,533
Due to other governmental unit	-	440
Accrued salaries and related items	25,989	20,373
Accrued interest	2,673	2,773
Current portion of long-term debt	20,000	15,000
Total current liabilities	53,780	45,119
Long-term liabilities	350,000	370,000
Total liabilities	403,780	415,119
Net assets:		
Invested in capital assets, net of related debt	27,430	43,431
Unrestricted	198,001	140,787
Total net assets	\$ 225,431	\$ 184,218

Table A-4
Changes in Glen Public School's Net Assets

	2008	2007
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 12,893	\$ 29,002
General revenues		
Property taxes, levied for general purposes	384,807	326,407
Investment earnings	5,282	10,998
State sources	13,498	9,273
Other	7,113	5,352
Total revenues	423,593	381,032
Expenses:		
Instruction	273,268	237,236
Support services	86,170	84,169
Interest on long-term debt	16,540	16,973
Unallocated depreciation	6,403	3,445
Total expenses	382,381	341,823
Change in net assets	\$ 41,212	\$ 39,209

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a fund balance of \$176,962, an increase of \$33,402 over last year's total of \$143,560. This represents approximately five months of the 2007-08 total general fund expenditures.

General Fund and Budget Highlights

Over the course of the year, the District amended the annual operating budget two times, most recently in June of 2008. Total general fund revenues increased 23.77% from the original to the final budget. The primary cause for the large increase in revenue was due to the increased property tax values. Total expenditures increased 21.96% as a result of increased Instruction Staff due to additional staff members.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Glenn Public School's Capital Assets				
	2008			2007
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 8,247	\$ -	\$ 8,247	\$ 8,247
Construction in progress	-	-	-	114,416
Land improvements	46,126	44,972	1,154	5,765
Buildings and improvements	385,290	22,852	362,438	11,231
Equipment and furniture	72,434	72,434	-	-
Library books	2,500	2,500	-	-
Total	<u>\$ 514,597</u>	<u>\$ 142,758</u>	<u>\$ 371,839</u>	<u>\$ 139,659</u>

Additions to capital assets consist of \$356,444 of building improvements which consisted of construction in progress placed into service for the addition of a room and mechanical upgrades to the Glenn School building. More detailed information regarding the District's capital asset activity can be found in Note 4 to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the District had a total bonded debt outstanding of \$370,000. This balance represents unlimited tax bonds to provide funds for the acquisition and construction of major capital facilities. Current requirements for principal and interest expenditures are payable solely from future revenues of the Debt Service Fund, which consists principally of property taxes collected by the District and interest earnings.

Additional information on the District's long-term debt can be found in Note 5 to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future.

Student enrollment continues to be an important issue for the District. The September 2008 student count was at 46 students, the district has an ambitious goal of reaching a student count of 50 or more students which would result in an increase in state aid. Property tax values have been increasing over the last several years, however, with the current state of the housing market there are concerns that the taxable values will be challenged by property owners and will decline in the near future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Lisa Bradley, Supervisor of Financial Services, Allegan Area Educational Service Agency, 310 Thomas St., Allegan, MI 49010.

BASIC FINANCIAL STATEMENTS

**GLENN PUBLIC SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 226,106
Receivables:	
Accounts receivable	2,376
Due from other governmental units	2,299
Prepaid expenditures	<u>1,000</u>
TOTAL CURRENT ASSETS	<u>231,781</u>
NONCURRENT ASSETS:	
Deferred charges, net of amortization	25,591
Capital assets	514,597
Less accumulated depreciation	<u>(142,758)</u>
TOTAL NONCURRENT ASSETS	<u>397,430</u>
TOTAL ASSETS	<u><u>\$ 629,211</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 5,118
Accrued salaries and related items	25,989
Accrued interest	2,673
Current portion of long-term obligations	<u>20,000</u>
TOTAL CURRENT LIABILITIES	53,780
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	<u>350,000</u>
TOTAL LIABILITIES	<u>403,780</u>
NET ASSETS:	
Invested in capital assets, net of related debt	27,430
Unrestricted	<u>198,001</u>
TOTAL NET ASSETS	<u>225,431</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 629,211</u></u>

**GLENN PUBLIC SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 273,268	\$ -	\$ 12,893	\$ (260,375)
Support services	86,170	-	-	(86,170)
Interest on long-term debt	16,540	-	-	(16,540)
Unallocated depreciation	6,403	-	-	(6,403)
Total governmental activities	<u>\$ 382,381</u>	<u>\$ -</u>	<u>\$ 12,893</u>	<u>(369,488)</u>
General revenues:				
Property taxes, levied for general purposes				384,807
Investment earnings				5,282
State sources				13,498
Intermediate sources				2,646
Other				<u>4,467</u>
Total general revenues				<u>410,700</u>
CHANGE IN NET ASSETS				41,212
NET ASSETS , beginning of year				<u>184,219</u>
NET ASSETS , end of year				<u><u>\$ 225,431</u></u>

**GLENN PUBLIC SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

		<u>General Fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents		\$ 226,071	\$ 35	\$ 226,106
Receivables:				
Accounts receivable		2,376	-	2,376
Due from other governmental units		2,299	-	2,299
Due from other funds		-	23,677	23,677
Prepaid expenditures		1,000	-	1,000
TOTAL ASSETS		<u>\$ 231,746</u>	<u>\$ 23,712</u>	<u>\$ 255,458</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ 5,118	\$ -	\$ 5,118
Accrued salaries and related items		25,989	-	25,989
Due to other funds		23,677	-	23,677
TOTAL LIABILITIES		<u>54,784</u>	<u>-</u>	<u>54,784</u>

See notes to financial statements

	<u>General Fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
FUND BALANCES:			
Reserved for prepaid expenditures	\$ 1,000	\$ -	\$ 1,000
Unreserved:			
Designated for subsequent year expenditures	50,578	-	50,578
Undesignated	<u>125,384</u>	<u>23,712</u>	<u>149,096</u>
TOTAL FUND BALANCES	<u>176,962</u>	<u>23,712</u>	<u>200,674</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 231,746</u>	<u>\$ 23,712</u>	<u>\$ 255,458</u>
Total governmental fund balances			\$ 200,674
Amounts reported for governmental activities in the statement of net assets are different because:			
Value of amortized bond issuance costs		\$ 31,113	
Accumulated amortization		<u>(5,522)</u>	
			25,591
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
The cost of the capital assets is		514,597	
Accumulated depreciation is		<u>(142,758)</u>	
			371,839
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds payable			(370,000)
Accrued interest is not included as a liability in government funds, it is recorded when paid			<u>(2,673)</u>
Net assets of governmental activities			<u>\$ 225,431</u>

See notes to financial statements

**GLENN PUBLIC SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
REVENUES:			
Local sources:			
Property taxes	\$ 384,807	\$ -	\$ 384,807
Investment earnings	5,101	-	5,101
Other	4,467	181	4,648
	<hr/>	<hr/>	<hr/>
Total local sources	394,375	181	394,556
State sources	13,498	-	13,498
Federal sources	12,893	-	12,893
Incoming transfers and other	2,646	-	2,646
	<hr/>	<hr/>	<hr/>
Total revenues	423,412	181	423,593
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Current:			
Instruction	273,268	-	273,268
Supporting services	85,102	-	85,102
Capital outlay	-	8,280	8,280
Debt service:			
Principal repayment	15,000	-	15,000
Interest	16,640	-	16,640
	<hr/>	<hr/>	<hr/>
Total expenditures	390,010	8,280	398,290
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	33,402	(8,099)	25,303
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Beginning of year	143,560	31,811	175,371
	<hr/>	<hr/>	<hr/>
End of year	\$ 176,962	\$ 23,712	\$ 200,674
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**GLENN PUBLIC SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Net change in fund balances total governmental funds	\$ 25,303
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(6,403)
Capital outlay	8,280

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	2,773
Accrued interest payable, end of the year	(2,673)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on debt	15,000
Amortization of bond issuance costs	(1,318)
Amortization of bond premium	250

Change in net assets of governmental activities	\$ 41,212
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**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Glenn Public School (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America (GAAP). In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statements No. 14 and No. 39.

Based upon the application of these criteria, the financial statements of Glenn Public School contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the District nor is the District a component unit of another entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary administrative fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition or construction of capital facilities or equipment held by the District.

The capital projects fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

The following is a summary of the revenue and expenditures for the capital projects bond activity since inception:

	<u>2005 Bond</u>
Revenue and other financing sources	<u>\$ 409,558</u>
Expenditures	<u>\$ 385,846</u>

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2005 Capital Projects Fund. The project for which the 2005 general obligation bonds were issued was considered complete on April 28, 2008 and the cumulative expenditures recognized for the construction period were \$385,846.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and cash equivalents include amounts in demand deposits.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposit and Investments Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the District intends to hold the investment until maturity.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

1. Cash and cash equivalents include amounts in demand deposits (Concluded)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.0000

3. Receivables

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

4. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	50 years
Furniture and other equipment	5 - 20 years
Land improvements	20 years
Library books	7 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,000.

5. Unemployment insurance

The District reimburses the State for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings received for amounts paid by the State through June 30 are accrued.

6. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

7. Fund balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The designated fund balances for governmental funds represent the amount that has been identified for a specific purpose by the Board of Education for the purchase of a historical marker.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administrator submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balance - budget and actual - general fund.
2. Public hearings are conducted to obtain taxpayer comments.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balance - budget and actual (GAAP basis) - general fund.
4. The administrator is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District has no investment policy that would further limit its investment choices. As of June 30, 2008, the District had no investments.

Concentration of credit risk. The District places no limit on the amount the District may invest in any one issuer. At June 30, 2008, the District had no investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$135,083 of the District's bank balance of \$239,894 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District had no investments at June 30, 2008.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in the capital assets for the fiscal year:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated - land	\$ 8,247	\$ -	\$ -	\$ 8,247
Construction in progress	348,164	-	348,164	-
Subtotal	356,411	-	348,164	8,247
Other capital assets:				
Land improvements	46,126	-	-	46,126
Building and improvements	28,846	356,444	-	385,290
Equipment and furniture	72,434	-	-	72,434
Library books	2,500	-	-	2,500
Subtotal	149,906	356,444	-	506,350
Accumulated depreciation:				
Land improvements	42,667	2,306	-	44,973
Building and improvements	18,754	4,097	-	22,851
Equipment and furniture	72,434	-	-	72,434
Library books	2,500	-	-	2,500
	136,355	6,403	-	142,758
Net other capital assets	13,551	350,041	-	363,592
Net capital assets	\$369,962	\$350,041	\$348,164	\$371,839

Depreciation for the fiscal year ended June 30, 2008 amounted to \$6,403. Depreciation expense is unallocated as the assets serve multiple functions.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT

Bonds payable at June 30, 2008 are comprised of the following issues:

2005 general obligation bonds due in annual installments of \$15,000 to \$30,000 through May 1, 2024, with interest at 4.00% to 4.65%	<u><u>\$ 370,000</u></u>
---	--------------------------

The District issues unlimited tax bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. Unlimited tax bonds are direct obligations and pledge the full faith and credit of the District. Current requirements for principal and interest expenditures are payable solely from future revenues of the general fund, which consists principally of property taxes collected by the District.

The annual requirements to amortize long-term debt outstanding as of June 30, 2007, including interest of \$170,083 are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 20,000	\$ 16,040	\$ 36,040
2010	15,000	15,240	30,240
2011	15,000	14,640	29,640
2012	20,000	14,040	34,040
2013	20,000	13,240	33,240
2014 - 2018	115,000	52,813	167,813
2019 - 2023	135,000	26,035	161,035
2024	<u>30,000</u>	<u>1,395</u>	<u>31,395</u>
	370,000	<u><u>\$ 153,443</u></u>	<u><u>\$ 523,443</u></u>
Less current portion	<u>(20,000)</u>		
	<u><u>\$ 350,000</u></u>		

	June 30, 2007	Additions	Payments	June 30, 2008	Due in one year
Bonds payable	<u><u>\$ 385,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,000</u></u>	<u><u>\$ 370,000</u></u>	<u><u>\$ 20,000</u></u>

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit pension public employee retirement plan governed by the State of Michigan. The MPERS provides retirement, survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% of payroll through September 2007 and 16.72% effective October 1, 2007 through June 30, 2008. The contribution requirements of the plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the years ended June 30, 2008, 2007 and 2006 were \$35,385 \$31,492 and \$22,979 respectively, equal to the required contribution for each year.

Other Postemployment Benefits – Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits or post-employment benefits which is the responsibility of the State of Michigan.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RISK MANAGEMENT

The District carries commercial insurance for risks of property loss torts, errors and omissions and employee injuries (workers' compensation).

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2008 are as follows:

<u>Receivable fund</u>		<u>Payable fund</u>	
Capital projects	<u>\$ 23,677</u>	General	<u>\$ 23,677</u>

The outstanding balances between funds result mainly from the time lag between the dates that payments between funds are made.

REQUIRED SUPPLEMENTARY INFORMATION

**GLENN PUBLIC SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 334,100	\$ 393,815	\$ 394,375	\$ 560
State sources	5,500	13,497	13,498	1
Federal sources	8,000	23,355	12,893	(10,462)
Incoming transfers and other	2,500	2,646	2,646	-
Total revenues	350,100	433,313	423,412	(9,901)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	191,091	242,049	237,670	4,379
Added needs	27,484	34,813	35,598	(785)
Total instruction	218,575	276,862	273,268	3,594
Supporting services:				
Instructional staff	1,671	2,116	3,263	(1,147)
General administration	17,613	17,942	18,437	(495)
Business	13,459	17,704	18,035	(331)
Operation/maintenance	39,638	47,660	45,367	2,293
Total supporting services	72,381	85,422	85,102	320
Debt service:				
Principal	15,000	15,000	15,000	-
Interest	17,040	16,640	16,640	-
Total debt service	32,040	31,640	31,640	-
Total expenditures	322,996	393,924	390,010	3,914
NET CHANGE IN FUND BALANCE	\$ 27,104	\$ 39,389	33,402	\$ (5,987)
FUND BALANCE:				
Beginning of year			143,560	
End of year			<u>\$ 176,962</u>	



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Glenn Public School

We have audited the financial statements of the governmental activities and the major funds as of and for the year ended June 30, 2008, which collectively comprise Glenn Public School's basic financial statements and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Glenn Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glenn Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glenn Public School's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glenn Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Glenn Public School in a separate letter dated October 31, 2008.

This report is intended solely for the information of the Board of Education, management, U.S. Department of Education and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Mayer, Costeniser & Ellis, P.C.

October 31, 2008



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October 31, 2008

To the Board of Education
Glenn Public School

In planning and performing our audit of the financial statements of Glenn Public School as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Glenn Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 31, 2008 on the financial statements of Glenn Public School. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Repeat Comment:

Substitute Teacher Pay Rate Authorization

Currently, there is no documentation concerning substitute pay rates. We recommend that a policy be adopted to guide pay rates for substitute teachers in order to prevent future confusion of allowable rates.

Current Year Comments:

Employee Timesheets

We noted, during our testing of the payroll system controls, an employee for which time sheets had not been completed for the pay periods examined. In order to ensure payment for appropriate time worked, we recommend that a policy for the submission of time sheets be followed. Timesheets should be completed for all hourly employees as well as any salary employees who are authorized to be paid overtime or whose time allocation changes. Timesheets should include regular and overtime hours worked, the employee signature and provide authorization. Adhering to the above policy will help to ensure accurate wages are paid for work performed as well as aid in the accurate coding of expenditures.

Conversion and Transition

Glenn Public School underwent a complete software conversion as well as had turnover of the administrator during the year. We noted that various administrative and accounting functions were delayed during this time frame. While there were no significant adjustments to the financial statements during the audit, it is necessary to encourage management to be aware of the revisions necessary during any transition period. We recommend all procedures and policy manuals are reviewed and updated as appropriate for changes in staff roles as well as process modifications. All agreements should be reviewed for necessary renewals and/or revisions. Disaster recovery as well as risk assessments should also be updated for completeness. Performance of the above procedures in a timely manner will aid the District in the coming year.

Month-end procedures checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future . We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

Uninsured bank deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. The limits as of June 30, 2008 were \$100,000 for demand accounts (checking) and \$100,000 for time deposit accounts (savings/certificates of deposit). Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

This report is intended solely for the information and use of Glenn Public School, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mama, Costeniser & Ellis, P.C.



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October 31, 2008

To the Board of Directors
Glenn Public School

We have audited the financial statements of Glenn Public School for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Glenn Public School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Glenn Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 24, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Glenn Public School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

We did not identify any sensitive estimates.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

We did not identify any sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Glenn Public School’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Glenn Public School’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Glenn Public School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costeniser & Ellis, P.C.